FINANCIAL STATEMENTS

TRANSPARENCY INTERNATIONAL

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

TRANSPARENCY INTERNATIONAL-USA, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Transparency International-USA, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Transparency International-USA, Inc. (TI-USA), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TI-USA as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

Bethesda, Maryland
July 9, 2013

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 833,134	$ 926,589
Grants and contributions receivable	17,176	100,879
Other receivables	6,500	3,257
Prepaid expenses	10,280	10,080
Total current assets	867,090	1,040,805
FIXED ASSETS		
Furniture and equipment	10,407	10,407
Computer equipment	21,970	21,970
	32,377	32,377
Less: Accumulated depreciation	(30,586)	(30,336)
Net fixed assets	1,791	2,041
NONCURRENT ASSETS		
Security deposit	4,895	4,895
TOTAL ASSETS	**$ 873,776**	**$ 1,047,741**

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 61,143	$ 76,374
Deferred contract revenue	-	35,351
Total current liabilities	61,143	111,725
NONCURRENT LIABILITIES		
Grants payable	32,673	32,673
Total liabilities	93,816	144,398
NET ASSETS		
Unrestricted	779,960	727,513
Temporarily restricted (Note 2)	-	175,830
Total net assets	779,960	903,343
TOTAL LIABILITIES AND NET ASSETS	**$ 873,776**	**$ 1,047,741**

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	$ 619,117	$ 9,170	$ 628,287
Contracts	118,043	-	118,043
Special event, net of expenses	174,304	-	174,304
Interest income	74	-	74
In-kind contributions	523,834	-	523,834
Net assets released from donor restrictions (Note 3)	185,000	(185,000)	-
Total support and revenue	1,620,372	(175,830)	1,444,542
EXPENSES			
Program Services	1,018,089	-	1,018,089
Management and General	370,546	-	370,546
Fundraising	179,290	-	179,290
Total expenses	1,567,925	-	1,567,925
Changes in net assets	52,447	(175,830)	(123,383)
Net assets at beginning of year	727,513	175,830	903,343
NET ASSETS AT END OF YEAR	**$ 779,960**	**$ -**	**$ 779,960**

See accompanying notes to financial statements.

2011		
Unrestricted	Temporarily Restricted	Total
$ 521,769	$ 350,000	$ 871,769
106,034	-	106,034
-	-	-
68	-	68
506,889	-	506,889
237,432	(237,432)	-
1,372,192	112,568	1,484,760
1,189,278	-	1,189,278
266,496	-	266,496
125,277	-	125,277
1,581,051	-	1,581,051
(208,859)	112,568	(96,291)
936,372	63,262	999,634
$ 727,513	**$ 175,830**	**$ 903,343**

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 232,239	$ 165,310	$ 36,194	$ 433,743
Benefits and payroll taxes (Note 5)	28,025	20,798	4,556	53,379
Printing and production	486	44	21	551
Consultants and temporary staff	195,182	21,664	121,191	338,037
Occupancy (Note 4)	47,339	23,191	10,840	81,370
Accounting and audit	17,240	51,785	-	69,025
Insurance	2,510	1,271	594	4,375
Depreciation	143	73	34	250
Telecommunications	5,905	251	117	6,273
Travel and entertainment	28,086	1,229	1,166	30,481
Professional fees	7,793	-	-	7,793
Postage and delivery	2,372	179	132	2,683
Supplies	3,235	752	936	4,923
Equipment and repairs	1,876	40	18	1,934
Other	6,366	2,397	511	9,274
In-kind professional services	439,292	81,562	2,980	523,834
TOTAL	**$ 1,018,089**	**$ 370,546**	**$ 179,290**	**$ 1,567,925**

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 355,881	$ 125,773	$ 64,585	$ 546,239
Benefits and payroll taxes (Note 5)	46,337	16,662	8,556	71,555
Printing and production	2,173	358	122	2,653
Consultants and temporary staff	203,765	14,885	44,759	263,409
Occupancy (Note 4)	54,705	16,872	5,774	77,351
Accounting and audit	2,949	28,154	-	31,103
Insurance	3,102	957	327	4,386
Depreciation	177	54	19	250
Telecommunications	1,125	6,374	-	7,499
Travel and entertainment	11,880	2,437	598	14,915
Professional fees	21,908	-	-	21,908
Postage and delivery	1,458	230	120	1,808
Supplies	3,266	373	128	3,767
Equipment and repairs	898	39	13	950
Other	22,765	3,328	276	26,369
In-kind professional services	456,889	50,000	-	506,889
TOTAL	**$ 1,189,278**	**$ 266,496**	**$ 125,277**	**$ 1,581,051**

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (123,383)	$ (96,291)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	250	250
(Increase) decrease in:		
Grants and contributions receivable	83,703	116,911
Other receivables	(3,243)	12,364
Prepaid expenses	(200)	452
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,231)	574
Deferred contract revenue	(35,351)	35,351
Net cash (used) provided by operating activities	(93,455)	69,611
Net (decrease) increase in cash and cash equivalents	(93,455)	69,611
Cash and cash equivalents at beginning of year	926,589	856,978
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 833,134**	**$ 926,589**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Transparency International-USA, Inc. (TI-USA) is a non-profit organization, incorporated in the Commonwealth of Virginia in 1993 and located in Washington, D.C. TI-USA was organized for the charitable and educational purpose of educating the public, companies and governmental agencies as to the prevalence of corruption and extortion in international business transactions and mobilizing reform efforts. TI-USA encourages the adoption of international business standards of conduct, supports multilateral governmental initiatives to reduce corruption, and works with other chapters to promote reform. TI-USA is affiliated with Transparency International, with its headquarters in Berlin, Germany, as part of a growing worldwide network of separately organized and run organizations having a common goal of ending corruption. TI-USA provides expertise and raises funds to support Transparency International worldwide.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

TI-USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). TI-USA maintained a portion of its cash balance at a financial institution in non-interest bearing accounts; thereby, all of these cash balance were protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of $250,000. Management believes the risk in these situations to be minimal.

Receivables (grants, contributions and other) -

All receivables approximate fair value and are due within one year. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

TI-USA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. TI-USA is not a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

For the years ended December 31, 2012 and 2011, TI-USA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax,* is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions; these net assets are available for TI-USA's general operations.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of TI-USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. There were no temporarily restricted net assets as of December 31, 2012.

Revenue recognition -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred; contract funding received in advance of incurring the related expenses is recorded as deferred contract revenue in the accompanying Statements of Financial Position. Contract revenue earned but not collected is recorded as a contract receivable in the accompanying statement of financial position.

In-kind contributions -

In-kind contributions consist of time donated by attorneys and other professionals who provide expertise related to TI-USA's programmatic purpose. These services are reported at their actual value, based on the number of donated hours and billing rates of professional services rendered. The value of contributed services provided for TI-USA has been reported as "In-kind professional services" in the accompanying Statement of Functional Expenses, and totaled $523,834 and $506,889 during the years ended December 31, 2012 and 2011, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 consisted of the following:

	2012	2011
GE Foundation - APEC	$ -	$ 1,589
World Bank - Strengthening Governance	-	174,241
	$ -	**$ 175,830**

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	2012	2011
TI Secretariat	$ 9,170	$ -
GE Foundation - APEC	1,589	61,673
World Bank - Strengthening Governance	174,241	175,759
	$ 185,000	**$ 237,432**

4. LEASE COMMITMENT

TI-USA rents its principal office space in Washington, D.C. under a lease, which expired on September 30, 2012 and was extended for another three years, expiring on September 30, 2015. The lease includes a 3.5% annual escalation clause, and TI-USA is responsible for its proportionate share of the building's real estate taxes.

4. LEASE COMMITMENT (Continued)

Occupancy expense during the years ended December 31, 2012 and 2011 totaled $81,370 and $77,351, respectively.

Year Ending December 31,		
2013	$	76,188
2014		78,852
2015		60,678
	$	**215,718**

5. RETIREMENT PLANS

TI-USA has a retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers all employees. Employees with at least one year of service are eligible to receive discretionary contributions from TI-USA. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. The plan does not provide for TI-USA to make any mandatory contributions; however, TI-USA may make contributions to the plan if approved by the Board of Directors. During 2012 and 2011, contributions of $20,917 and $14,897, respectively, were made to the retirement plan.

TI-USA has a defined contribution retirement plan that covers all employees who are at least 21 years of age and with at least 24 months of service. Employer contributions to the plan are discretionary. The plan does not provide for any employee contributions. Employees are 100% vested in the employer contribution upon entering the plan. There were no contributions made in 2011. TI-USA filed the final return for the year ended December 31, 2011 in July 2012. As of December 31, 2012, plan assets have been distributed to plan participants and the plan has zero balance.

6. SUBSEQUENT EVENTS

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through July 9, 2013, the date the financial statements were issued.